

Financial Capability and Digital Adoption for Online Shopping Decision: Evidence from Surabaya Students

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ABSTRACT

This study aims to examine the effect of financial capabilities and digital adoption on online shopping decisions. The research results explain that individual financial capabilities such as access to bank services, digital banking services, and consulting financial issues with professionals encourage online shopping transactions. Online consumer behavior is also determined by perceived risk, trust in service providers, technology adoption, and use of social media. The type of research was quantitative by interviewing random sampling Surabaya students. Data analysis used multiple linear regression tests through validity test in terms of determining the feasibility of the questions in the questionnaire and reliability test, which stated that the respondents' answers to the questions in the questionnaire were consistent and could be seen from the results of Cronbach's Alpha. The next stage is the classical assumption test, multicollinearity test, heteroscedasticity test, and multiple linear regression test. In addition, hypothesis testing was carried out through the F-test, T-test, and coefficient of determination. The results showed that financial capability and digital adoption had a significant influence on online shopping decisions.

Keywords: Financial Capability, Digital Adoption, Online Shopping



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INTRODUCTION

Human beings express and create self-identity through various forms, one of the alternative ways that is carried out is consumptive activities (Soper, 2007). Consumption becomes an important social and lifestyle standard and driven by needs (Mueller et al., 2007; Yatminiwati, Setyobakti, Sulistyan, & Ermawati, 2021) even the individual's mindset towards money is driven by a consumptive culture (Dittmar et al., 2007). People's consumptive patterns are influenced by the ease of carrying out consumption activities with the help of the internet. Internet technology is not only limited to its ability to provide extensive information but also as an alternative solution to make purchases wherever consumers are.

Sumolang (2013) says the internet is a source of information, a means of communication, a means of entertainment and has become an important tool for means of business communication around the world (Kamalul Ariffin et al., 2018). Kusnandar (2021) explained that based on internet user data in Indonesia in March 2021, it reached 212.35 million people and made Indonesia in the 3rd position in Asia below the rankings of China and India. The Ministry of Communication and Informatics (Kemenkominfo) said that online shopping activities in 2020, which coincided with the Covid-19 Pandemic, increased by 400 percent or four times and were directly proportional to the use of digital transactions (kompasiana, 2021). Online shopping activity has become the fastest growing internet usage activity (Pentz et al., 2020). Online shopping offers consumers more satisfaction saving time (Çera et al., 2020). The internet plays an important role to make it easier for a person to access everything that used to be limited by the dimensions of space, distance and time so that it becomes natural when e-commerce experiences exponential growth caused by consumers feeling more comfortable and efficient when shopping online (Hong & Cha, 2013).

The main problem in e-commerce transactions today lies not only in attracting new customers but also how to maintain sustainability to ensure the running of digital economics activities in Indonesia. The digital economy in Indonesia is a good opportunity for sustainable economic growth. The Ministry of Finance of the Republic of Indonesia predicts that the digital economy in 2030 will grow eightfold and contribute 34 percent or equivalent to IDR 1,900 trillion to gross domestic product (GDP) (Keuangan, 2021). Populix conducted a survey involving 6,285 respondents in 2020, the survey results showed that the most vulnerable productive age to do online shopping transactions in Indonesia were in the productive age group of 18-38 years (Junita, 2020). Online shopping is generally used by Millennials and Generation Z with a good level of technological literacy, millennials (born 1981-1996) and generation Z (born in 1997 and above) grew up with rapid technological development and driven by high technological adaptability making these two generations the largest market for e-commerce in Indonesia (Populix, 2020). The younger generation who dominates online shopping activities has an important role for the success of achieving digital economics in Indonesia, so research on factors that affect online shopping activities is very crucial, this is in accordance with the results of a survey conducted by Populix in 2020 where the productive age of 18 to 28 years dominates online shopping activities by more than 65 percent.

Many reasons are behind the younger generation doing online shopping, including financial ability, use of technology, social media, and the influence of demographic characteristics (Çera et al., 2020). The study results explain that individual financial capabilities such as access to bank services, digital banking services, and consulting financial issues with professionals encourage online shopping transactions. Online consumer behavior is also determined by attitudes, social norms, perceived risk, trust in service providers, technology adoption, and use of social media. The phenomenon of social media is changing the basic decisions of individuals, communities, and companies to interact and communicate. (Kaplan & Haenlein, (2010) define social media as a group of internet-based applications that are built on technology and allow users to exchange experiences in everyday life. Consumer reviews are widely available for products and services on social media platforms thereby helping consumers in making online shopping decisions (Pan & Chiou, 2011). On the other hand, the market place is also one of the factors driving the growth of online shopping transactions. Consumers use market places such as Shopee, Tokopedia, Bukalapak, Lazada to shop online (Ariansyah et al., 2021).

Chauhan (2018) explains that consumer behavior towards their preferences for online shopping activities is based on various things, including good marketing to introduce products with promotions or discounts that can give a positive impression to consumers and payment methods are the most influence online shoppers. Further, consumer behaviour can be explained as actions taken by individuals, groups or organizations related to the decision-making process to obtain the desired goods and services (Eddy Soegiarto K dan Mardiana, 2016). Consumer behaviour is based on three things, namely, preferences consumers or choices based on tastes, budget constraints, and consumer choices of combining goods and services to maximize utility (Robert S. Pindyck & Rubinfeld, 2005).

Sen (1993) explains that financial capability refers to individual abilities such as knowledge, skills, attitudes, habits, motivations and opportunities to access basic financial products and services to manage financial problems individually and in groups (Çera et al., 2020). Taylor (2011) defines financial ability as knowledge to manage and control finances personally. The decision to consume, especially online, is based on the ability of consumers to use technology following the perception of the importance of technology in everyday life (Loekamto, 2012). Banking service users can easily buy goods or services using debit card transactions, credit cards, or even e-banking. E-banking is one of the resolutions made by banks to facilitate payments using technological advances that impact increasing consumer buying behaviour online (Çera et al., 2020).

Ofori & Appiah-Nimo (2019) conducted a study in Ghana for college students as representatives of the younger generation, the statistical technique used was Structural Equation Modeling-Partial Least Squares (SEM-PLS), and it is known that the effect of ease of using online shopping facilities affects desire students do online shopping activities. Another influential variable is the ability to measure risk, financial management, and the number of costs incurred by students. Based on the above gaps, our research aims to determine the effect of financial ability, use of technology, social media, demographic characteristics, and marketing systems on online shopping interest in young people aged 18 to 28 years in the city of Surabaya. The results of this study are expected to contribute to the literature and empirical for theoretical and practical developments, especially as a guide that helps stakeholders make decisions in running a business nowadays.

METHOD

This study uses a quantitative approach that examines the effect of the variables to be analyzed. Data collection was carried out directly using an online survey. Online survey respondents are undergraduate students who voluntarily participate in major universities in Surabaya. Respondents may not fully represent the online shopper population in Indonesia, but many previous empirical studies (Adi et al., 2017; Hong & Cha, 2013; Johnson & Ramirez, 2021; Kuswanto et al., 2019) have shown that students are a good substitute for online consumers. The variables used include Financial Capability (X1), Digital Adoption (X2), and Online Shopping Decision (Y). The selection of indicators used in the research instrument refers to the research of Çera et al. (2020) by adjusting the context. The research instrument is divided into two parts: first, look at the description of the respondent's profile which includes questions related to the demographics of the respondents. The second part is a multi-indicator scale that uses a 5-point Likert scale (1 strongly disagree to 5 strongly agree) to measure online shopping decisions. Before distributing the online questionnaire, a readability test was conducted to ensure that the statement items in the questionnaire could be understood well by the respondents. The readability test checked the suitability of language, context, and meaning. At this stage, the questionnaire was given to 5 respondents to obtain feedback. The researcher refined the instrument based on the respondents' input and comments received. Data analysis used multiple linear regression tests through validity test in terms of determining the feasibility of the questions in the questionnaire and reliability test, which stated that the respondents' answers to the questions in the questionnaire were consistent and could be seen from the results of Cronbach Alpha. Furthermore, descriptive analysis can be carried out, explaining each observed sample's characteristics. The next stage is the classical assumption test, multicollinearity test, heteroscedasticity test, and multiple linear regression test. In addition, hypothesis testing was carried out through the F-test, t-test, and coefficient of determination.

RESULTS AND DISCUSSION

Table 1 shows the characteristics of 290 respondents who participated in filling out the questionnaire. Based on this table, the most significant number of respondents dominated by female

respondents, namely 55 respondents or 67.0 percent. Respondents who use e-commerce platforms in this study majority are over 25 years old.

Table 1. Respondent Characteristics

	Number of Respondents	Percentage
Gender		
Female	55	67.0
Male	27	32.9
Age		
17 -19 years old	3	3.65
20 - 22 years old	14	17.0
23 – 25 years old	13	15.8
Above 25 years old	52	63.4

Source: Data Processed (2022)

The first stage was to test the measurement model by looking at each indicator constructs' validity and reliability. In testing the validity of the Financial Capability variable obtained from 17 questions, it shows valid results on the Financial Capability variable (X1). This can be seen in the number that is in the correlation of all corrected items greater than 0.217 at the 5% significant level and 82 respondents (See Table 2). It can be seen that the lowest value is 0.285, and the highest is 0.993 of the total correlation of corrected items.

Table 2. Validity Test of Financial Capability

Variable	Question Item	Corrected Item-Total Correlation
Financial Capability (X1)	X1.1	0.933
	X1.2	0.933
	X1.3	0.993
	X1.4	0.993
	X1.5	0.993
	X1.6	0.285
	X1.7	0.993
	X1.8	0.958
	X1.9	0.993
	X1.10	0.285
	X1.11	0.285
	X1.12	0.285
	X1.13	0.933
	X1.14	0.958
	X1.15	0.993
	X1.16	0.993
	X1.17	0.285

Source: Data Processed (2022)

The test of the Digital Adoption (X2) variable's validity shows valid results from 5 question items. This indicates that the overall corrected item is greater than 0.217 at the 5% significant level. While the lowest value is 0.889, and the highest is 0.958, it shows a valid result (see table 3).

Table 3. Validity Test of Digital Adoption

Variable	Question Item	Corrected Item-Total Correlation
Digital Adoption (X2)	X2.1	0,889
	X2.2	0.899
	X2.3	0.933
	X2.4	0.933

X2.5

0.958

Source: Data Processed (2022)

Furthermore, the online shopping decision variable (Y) validity shows valid results from the 4 question items in the questionnaire. This can be seen in the correlation of all corrected items greater than 0.217 at a significant level of 5%. It can be seen that the lowest value is 0.933, and the highest is 0.993 from the total correlation of corrected items (see table 4).

Table 4. Validity Test of Online Shopping Decision

Variable	Question item	Corrected Item-Total Correlation
Online Shopping Decision (Y)	Y2.1	0.993
	Y2.2	0.993
	Y2.3	0.993
	Y2.4	0.933

Source: Data Processed (2022)

The reliability test shows that all questions regarding financial capability, digital adoption, and online shopping decisions show reliability because the number obtained is greater than 0.60, with a result of 0.939 (see table 5). Due to the value of Cronbach's Alpha $0.939 > 0.217$ (R table), it can be concluded that the question item is declared reliable as a research tool. For example, suppose someone has a certain amount of shopping budget and has been looking for product references from social media. In that case, it can be ascertained that they have faster online shopping decisions.

Table 5. Reliability Test

Variable	Question Item	Cronbach's Alpha	Result
Financial Capability (X1)	17	0.676	Reliable
Digital Adoption (X2)	5	0.842	Reliable
Online Shopping Decision (Y)	4	0,736	Reliable

Source: Data Processed (2022)

Based on the results of the correlation test between Financial Capability (X1) and Digital Adoption (X2), it can be seen that the significance value of both is less than 0.05. The financial Capability (X1) variable has a significance of $0.033 < 0.05$ and has a positive value. These findings show that the higher the value of the Financial Capability (X1) variable owned by a person, the higher the online shopping decision.

Likewise, the Digital Adoption (X2) variable has a significance value of $0.008 < 0.05$ and is positive. Based on the results of the significance test, it can be concluded that the higher the use of digital technology, the higher the increase in information on a product. This can drive higher online shopping decisions (see table 6).

Table 6. Significance T- Tests

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig
	B	Std. Error			
(Constant)	36.548	11.548		3.601	0.001
Financial Capability	0.387	0.227	0.335	2.209	0.033
Digital Adoption	0.398	0.206	0.368	2.587	0.008

Source: Data Processed (2022)

The hypotheses in this study are H1 (there is a negative influence of Financial Capability (X1) on Online Shopping Decisions) and H2 (there is a negative influence of Digital Adoption (X2) on Online Shopping Decisions). Therefore, based on the output of table 5, it is known that the t value

of the Financial Capability variable is $2.209 < 2.772$ (t table). So it can be concluded that hypothesis 1 (H1) is rejected, so there is no negative relationship between the Financial Capability and Online Shopping Decision variables. Likewise, hypothesis 2 (H2) is rejected because the t count is $2.587 < 2.773$, thus explaining that the digital adoption variable does not have a negative effect on digital adoption).

Consumers will combine goods and services with consumption levels to be efficient and effective. The biggest obstacle to the consumption process is limited financial capabilities. The Theory of Financial Capability by Sen (1993) explains that financial capability refers to individual abilities which include knowledge, skills, attitudes, habits, motivations and opportunities to access good basic financial products and services in order to manage financial problems individually and in groups (Çera et al., 2020). Taylor (2011) defines that financial capability refers to the knowledge to manage and control finances personally.

Based on this research, it can be proven that financial capability is the most important thing. Therefore, proper financial management and control must be carried out in consumption activities. Good financial ability will run more if combined with appropriate digital adoption. This is related to the ability to use technology in finding product references, viewing online catalogs, and shopping access through the marketplace. Based on the pattern above, the decision to shop online arises considering the conveniences offered.

Online shopping is a center of shopping activity that will increase in the future. Benefits from online shopping are offered to exceed conventional shopping activities. With all the capabilities it has in storing large amounts of information, that can function as a medium for transactions and provide a better perceptual experience than the products displayed in conventional shopping centers. The internet allows consumers to search for products or services more extensively, collect data, find and download information, compare prices, buy products, place orders, modify orders, and receive feedback without traveling. In addition, in terms of time, consumers can make online transactions 24 hours a day, 7 days a week, from anywhere. Other aspects include money and time efficiency, no transportation costs, more product options or alternatives, no waiting time, and eliminating distractions from marketing in conventional stores (Ditmar et al., 2007). It will increase the rational buying of consumers so that they make a real contribution to a pleasant shopping experience for consumers. Various conveniences like this ultimately encourage consumers or potential consumers to buy goods online.

In addition, the internet plays an important role in making it easier for someone to access everything previously limited by the dimensions of space, distance, and time, so it becomes natural when e-commerce grows exponentially because consumers feel more comfortable and efficient when shopping online. The availability of internet access either using a personal computer or a smartphone could access from various locations such as homes, offices, workspaces, and public facilities at shopping centers and cafes has now driven the trend of online shopping. Internet capability in providing access, managing, and communicating information provides an algorithm in a new structure and business model that is more efficient. However, the shift in the shopping transaction model from offline to online creates anxiety related to the issue of leakage of personal information, cybercrime, differences in the quality and variants of the products purchased, and the failure or delay in product delivery.

CONCLUSION

Millennial who uses e-commerce shows a significant number and it is essential to examine their behavior toward technology adoption. Based on the phenomenon of online shopping, which has begun to develop and become a millennial activity, based on research findings, it can be concluded that financial capability and digital adoption can influence online shopping decisions. Good financial

ability will run more if combined with appropriate digital adoption. This is related to the ability to use technology in finding product references, viewing online catalogs, and shopping access through the marketplace. For that reason, Millennial users will prefer to shop online instead of going to stores. In summary, this study provide broader insight in understanding Millennial in Indonesia using mobile banking, and e-commerce platform by adopting technology. Although the study has reached its aim, there are limitations to the research. For the future research could compare the intensity of e-commerce platform usage, purchase preferences and user experience to explore shopping behavior.

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